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C O N F I D E N T I A L TIRANA 000667

SIPDIS

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SUBJECT: MAJOR DEFENSE PROCUREMENT TAKES TROUBLING TURN

Classified By: Ambassador John Withers for reasons 1.4 (b) and (d)

11. (C) Summary. A lack of transparency in recent developments concerning the Government of Albania's tender for medium-lift helicopters has caused us concern. After a seemingly successful meeting with Prime Minister Berisha and new Defense Minister Imami on September 16, Sikorsky (who has advocacy rights as the sole U.S. competitor) was stunned to receive on September 24 a letter dated September 14 cancelling the tender for medium-lift helicopters. Post was likewise not previously informed of the cancellation. Sources subsequently told Post that the MoD had instead decided to offer a single-source contract to Eurocopter. The DCM, the Attache, the Chief of the Office of Defense Cooperation and Pol-Mil Officer met with Defense Minister Imami on October 1 to share concerns over the lack of transparency and the poor treatment of Sikorsky. During the meeting, Imami moved back from his position of offering a single-source contract to Eurocopter, and agreed to contact Sikorsky and consider parallel negotiations with both companies. Imami made clear that PM Berisha is determined to finalize a contract by December 31. The Ambassador raised our concerns with the Prime Minister and the Foreign Minister on October 5. End Summary.

12. (U) On September 16, Sikorsky representatives travelled to Tirana to meet with the new Albanian government and to urge the GOA to accept its offer of Blackhawks for the current tender for medium-lift helicopters. (Note. Sikorsky is the only U.S. company bidding and has U.S. advocacy rights. End note.) During their meetings with PM Berisha, State Minister Genc Pollo and Defense Minister Imami, all Albanian interlocutors were positive and open to Sikorsky's solicitations. None made mention of the fact that the tender had already been cancelled two days before. Neither did anyone from the GOA inform Post of the cancellation. Post did not learn until September 24, when Sikorsky forwarded to Post a copy of the faxed letter they just received (although dated September 14) cancelling the tender.

13. (C) Subsequently, several sources in the MoD informed Post of rumors that the GOA was negotiating a single-source contract with Eurocopter. Officials from the German Embassy were seen in several meetings with the DefMin; at a subsequent reception, one German official noted to the U.S. Defense Attache his belief that Eurocopter would shortly win the contract.

14. (C) October 1, the DCM, the Defense Attache, the Chief of the Office of Defense Cooperation and Pol-Mil Officer met with Defense Minister Imami. The DCM decried the poor treatment of Sikorsky in concealing the cancellation from

them and the lack of transparency in conducting negotiations for a single source contract. ODC Chief warned of the damage to US assistance that such conduct could bring. Imami confirmed that the MOD was considering a single-source contract with Eurocopter. He also stressed that the cancellation had been decided before he assumed his new duties, and claimed that during his September 16 meeting with Sikorsky, he was unaware that Sikorsky had not been informed of the cancellation. On Post's strong urging, Imami agreed to contact Sikorsky to explain the miscommunication and to consider parallel negotiations with both Sikorsky and Eurocopter.

15. (C) In October 5 meetings with the Prime Minister and Foreign Minister, the Ambassador forcefully addressed the transparency issue. Albania has the right to choose the helicopter most suited to its needs, but should not treat the U.S., its most important ally, in such a manner. This is a poor first signal from Albania's newly elected government. The fact that Imami has no military background or experience and owes his position as Defense Minister to his closeness to the PM leaves Albania vulnerable to charges of political manipulation. Berisha professed that this was all a "misunderstanding" occasioned by poor staff work during the government transition. Imami, he said, would be in a better position to give better answers during his scheduled meeting with the Ambassador October 8.

COMMENT

16. (C) Despite Berisha's assertions, the decision on the helicopter procurement will be made by the Prime Minister and will largely be a political one. Imami noted to the DCM that Berisha gave Imami strict instructions to complete the contract within the fiscal year (by December 31). As Albania's overriding foreign policy objective is now EU membership, the GOA will likely feel more political obligation to EU member states. Yet, Imami admitted that the U.S. continues to be Albania's strongest ally. Our major concern is that any contract or procurement be handled in a transparent and fair manner. The Ambassador will reiterate our concerns to Defense Minister Imami later this week.

WITHERS